

VZCZCXR09090
RR RUEHCHI RUEHDT RUEHHM RUEHNH
DE RUEHHI #0783/01 1851000
ZNY CCCCC ZZH
R 031000Z JUL 08
FM AMEMBASSY HANOI
TO RUEHC/SECSTATE WASHDC 8102
INFO RUCNASE/ASEAN MEMBER COLLECTIVE
RUEHHM/AMCONSUL HO CHI MINH 4904

C O N F I D E N T I A L SECTION 01 OF 02 HANOI 000783

SIPDIS

E.O. 12958: DECL: 06/28/2018

TAGS: ECON PHUM PGOV KCOR KPAO SOCI PREL VM

SUBJECT: PROMINENT VIETNAMESE BUSINESS LEADER DISCUSSES
ECONOMIC CHALLENGES, CORRUPTION AND JOURNALIST ARRESTS

REF: A. HANOI 672

1B. HANOI 569

1C. HANOI 563

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Classified By: Acting Pol Counselor Peter Eckstrom for Reasons 1.4 (B a
nd D)

Summary

11. (C) In late June, Poloffs met Le Thien Thanh, who like many children of leading Vietnamese communists, is a wealthy businessman and General Director of the Thien Mien Company. Thanh's father, Le Duan, was General Secretary of the Communist Party of Vietnam (CPV) for close to 30 years and is said to have sidelined leading "revolutionaries" such as Ho Chi Minh and General Vo Nguyen Giap. In Vietnam's policy struggle between inflation hawks willing to sacrifice growth for macroeconomic stability, and struggling industries reliant on cheap money, Thanh sides with the latter saying Prime Minister Nguyen Tan Dung is overly focused on inflation and is not paying sufficient attention to unemployment data. Thanh said Dung, like every other senior Vietnamese official, must pay heed to factional special interests -- usually business moguls from the leaders' home provinces -- in setting policy. In Thanh's assessment, political struggles play out between different CPV factions; the journalists arrested for their involvement in the PMU-18 story are pawns in this ongoing fight. End Summary.

More Money, More Problems

12. (C) On June 17, Poloffs met Le Thien Thanh, General Director of the Thien Mien Company and son of the late Communist Party of Vietnam (CPV) General Secretary, Le Duan. Thanh is close to senior CPV officials from Ho Chi Minh City and Hanoi and travels regularly on business to Vietnam's two most populous cities. He began by discussing Vietnam's current economic difficulties. In the past, Thanh said, it was not necessary for Party officials to have strong economic credentials to become Prime Minister because Vietnam's economy was largely agricultural and fairly small. Moreover, the 1997 Asian Financial Crisis did not affect Vietnam "too greatly" because Vietnam's economy was "not so integrated" with the Asian economies, he explained. Nowadays, however, Vietnam's economy is more globally integrated and economic downturns elsewhere have a much greater impact on Vietnam's economy.

13. (C) As a result, the country needs competent economic managers in the government, Thanh continued. Although he does not blame Prime Minister Nguyen Tan Dung for causing Vietnam's current economic difficulties, he is &a little disappointed⁸ in how the PM has dealt with them, adding that the PM is not handling the economic challenges &correctly.⁸

He said Government ministries and the National Assembly analyze statistics but the picture they draw is &incomplete.⁸ Government officials are concentrating "too much" on inflation and economic growth statistics while neglecting unemployment data, he offered. He stated that some analysts say the government &would collapse⁸ if unemployment reached higher than six percent (although he did not specify who these analysts are and how they came to this conclusion). (Comment: Thanh essentially is advocating the position made publicly by many labor-intensive export-oriented companies and industrial organizations, especially in the apparel/garments, seafood and furniture sectors. Tightening monetary policy makes borrowing money for operating and trading more expensive -- or sometimes even impossible to raise. According to these companies, monetary tightening and currency controls threaten to bankrupt them and send their workers into the streets. The apparel industry alone employs two million workers. End Comment.)

Winning Friends and Influencing People

¶4. (C) In response to Poloffs queries on GVN efforts to fight corruption, Thanh said behind every leader are &interest groups.⁸ These groups usually consist of company leaders who hail from the same region as the leader, he explained. Thanh went on to explain how the role of these interest groups appears to have grown in recent years. Past leaders (such as his father or former PM Pham Van Dong) never received "guests" at their homes. Nowadays, however, a number of "guests" can be seen outside the PM's or Party General Secretary's house after hours "waiting to get a signature or secure a deal," Thanh asserted. Many business leaders are therefore more careful to cultivate good relations with the security guards at a leader's residence

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than they are with the leaders' secretaries, he added. There is &official⁸ time for work (at the office) and there is an &unofficial⁸ time for work (at home), he said.

¶5. (C) Fighting corruption must be done in a scientific way, Thanh stated. Some local commentators have said that solving the corruption problem is impossible because government salaries are low. In addition, Vietnam faces the chicken or the egg dilemma: give higher salaries first or stop corruption first to raise salaries. The solution to Vietnam's corruption problem may be to reduce the number of government employees by 50 percent and increase salaries by 100 percent, he asserted.

¶6. (C) "Corruption of time" also exists across Vietnam. For example, Vietnam Airlines has 300 accountants doing work that one accountant could accomplish. The "American War" showed that the Vietnamese people can sacrifice, but the country's leaders have not brought the strength of these people fully into play, he said. Fads are big in Vietnam and standards are lacking, he added. Today, the focus is on academic capabilities. Some officials have three bachelor's degrees.

PMU 18 Scandal/Journalists Arrests

¶7. (C) Turning to the Project Management Unit-18 (PMU-18) scandal (Refs), Thanh said the whole story has yet to come out. PMU-18 has "nothing to do" with GVN anti-corruption efforts, he declared. Instead, it is about "factions fighting." The scandal broke before the 2006 10th Party Congress because the Party "was about to change leaders," he explained, and the release of information in the case (allegedly by two Ministry of Public Security (MPS) officials to reporters from State-controlled press) was part of a larger conspiracy to weaken, or even unseat, PM Dung and CPV General Secretary Nong Duc Manh.

¶8. (C) Some Party leaders proposed that the whole Party

Congress center on the PMU-18 scandal, he continued. However, 60 to 70 percent of the documents on the scandal that the MPS has seized are "fakes," he asserted. Information the two MPS officers provided on the scandal led to public outcry, with people wanting "to fight back." Leaders realize the people of Vietnam are frustrated with corruption and often take advantage of this frustration by using the corruption issue to try to "move ahead," he added. In this connection, the purpose in revealing information on PMU-18 was not to fight corruption; instead, some former leaders wanted "to get back in power," he asserted.

¶9. (C) Proving malfeasance in the PMU-18 case has proven difficult, Thanh added. He reminded Poloffs that the World Bank and Japanese Government concluded none of their money was lost in the scandal. The motivations of various actors in the PMU-18 case are not pure and the easiest thing for the GVN to do was to arrest the two reporters, he added (Refs). Before the GVN arrested the two reporters, it held many meetings on what to do with them, he said. The police are interrogating the journalists to determine who told them what and if they cooperated in the plot from the beginning, Thanh stated. He predicted that &the real story⁸ behind PMU-18 will eventually get out.

Comment: Not A Disinterested Party

¶10. (C) Thanh's analysis of the economy, special interests and factional infighting provide a compelling framework for understanding policy debate in Vietnam. However, it is important to keep in mind that Thanh is not a disinterested observer, dissociated from this system and the process, but rather an active participant with a stake in the game. His views on the economy make this clear, as he complains about economic policies that potentially harm his financial interests. In this, he is not alone, but one of many business leaders who are critical of PM Dung's stewardship of the economy. Of course, each camp has a different idea about how to put the economy back on track. Thanh's equities in the PMU-18 story are unclear, and his insider's assessment tracks with others who say the scandal is part of a larger power struggle. However, his analysis that former leaders (or those on the verge of losing out at the 2006 10th Party Congress) released information to hurt those currently in power is the first time we have heard this. End Comment.

¶11. (U) This cable was coordinated with Consulate General HCMC.
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